

---

# Corporate Power, American Democracy, and the Automobile Industry

---

STAN LUGER

*University of Northern Colorado*



**CAMBRIDGE**  
UNIVERSITY PRESS

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE  
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS

The Edinburgh Building, Cambridge CB2 2RU, UK      <http://www.cup.cam.ac.uk>  
40 West 20th Street, New York, NY 10011-4211, USA      <http://www.cup.org>  
10 Stamford Road, Oakleigh, Melbourne 3166, Australia  
Ruiz de Alarcón 13, 28014 Madrid, Spain

© Stan Luger 2000

This book is in copyright. Subject to statutory exception  
and to the provisions of relevant collective licensing agreements,  
no reproduction of any part may take place without  
the written permission of Cambridge University Press.

First published 2000

Printed in the United States of America

*Typeface* Times Roman 10/12 pt.      *System* MagnaType™[AG]

*A catalog record for this book is available from the British Library.*

*Library of Congress Cataloging-in-Publication Data*

Luger, Stan, 1956–

Corporate power, American democracy, and the automobile industry /  
Stan Luger.

p. cm.

Includes index.

ISBN 0-521-63173-4

1. Automobile industry and trade – Government policy – United  
States. I. Title.

HD9710.U52L84      1999

338.4'76292'0973 – dc21

909-21388

CIP

ISBN 0 521 63173 4 hardback

## Contents

Acknowledgments	<i>page vii</i>
Introduction	1
1. Studying Power in America	16
2. The Structure of the Auto Industry	34
3. Corporate Political Hegemony and Its Decline: 1916–1966	54
4. The Politics of Compromise: 1967–1978	76
5. The Resurgence of Corporate Power: 1979–1981	97
6. The Triumph of Corporate Power: Regulatory Policy, 1981–1988	113
7. The Triumph of Corporate Power: Trade Policy, 1981–1985	135
8. Interregnum: 1989–1996	154
Conclusion: Corporate Power and American Democracy	182
Index	197

## Studying Power in America

Political science is concerned with the study of social governance, or how societies are organized and how they change. A corollary to these issues is the question of power: Who in society shapes change, who benefits, and who does not. The classic encapsulation of this approach was made by Harold Lasswell, who wrote that politics is the study of who gets what, when, and how.<sup>1</sup> Accordingly, the study of power is essential if political scientists are to respond to these issues, and such a study must include the economic power of business because of the central role it plays in the distribution of who gets what, when, and how. Unfortunately, most political scientists neglect these areas, in part because of the narrow focus on political behavior and the internal operation of government institutions that dominate research.

Among those political scientists who continue to study social organization and historical change, the concept of power remains contested. Debates have raged decade after decade, generating a voluminous literature, with little hope for any resolution. For years battle lines have been drawn over questions concerning what is actually meant by power, where power is located, how to study power, and how to evaluate the results of such inquiries. Sometimes the conclusions of a study tell us more about the perspective and assumptions of the researcher than about the material presented. Grappling with the issue of power is particularly complex in a liberal democracy where a political system based on formal equality is coupled with an economic system based on inequality of resources. While economic resources clearly present a tremendous political advantage to their holders, those with limited economic resources have also succeeded in shaping public policy because power held in one sphere is not automatically or completely translated into the other. Thus it is not axiomatic who will be triumphant in any particular political battle. For this

<sup>1</sup> Harold Lasswell, *Politics: Who Gets What, When, and How* (New York: McGraw-Hill, 1936).

reason, Franz Neumann argued almost fifty years ago that in a liberal democratic society the translation of economic power into political power should be the crucial concern of political scientists.<sup>2</sup>

In the first decades after World War II, political scientists and sociologists debated power from two main positions: pluralism and elitism. More recently, neomarxism and state-centered theory have framed much of the debate. The earlier set of opposing positions, pluralism and elitism, each offers a different conclusion concerning the nature of power in part because each holds to a different analysis concerning the translation of economic resources into political influence. For pluralists, those with significant economic resources do not dominate politics, while for elitists, a relatively small number of individuals who control society's economic resources, and with them other key social institutions, direct the course of change. Yet, despite this difference, each perspective offers an unchanging description of who holds power that does not adequately account for variations over time. And this, indeed, has been a major problem in the debate over the translation of economic resources into political power. Typically static, albeit conflicting, descriptions are given. This is not to suggest, however, that there are no discernible patterns to power, only that there has been inadequate attention to the variations within broad interpretations.

Of the two more recent additions to the debate on power, state-centered theory has become the most fashionable in the social sciences today. Rejecting each of the preceding theories as society-centered, state-centered theorists argue that public policy and political development are best explained as the result of the actions of state officials acting autonomously from social pressures. The importance of state-centered theory to this discussion is reinforced by its close identification with another recent trend in political science: the "return to history." While there seems to be promise in this approach, its practitioners offer a truncated understanding of history that fails to take into account changing class relations or specific economic conditions, due, in part, to an uncritical acceptance of state-centered theory.

The other addition to the power debate is neomarxism. By focusing on the combined pressures of "accumulation" (the need to maintain a healthy economy) and "legitimation" (the need to maintain public support), neomarxists remain theoretically sensitive to variations in power. Yet, neomarxist scholars have concentrated on abstract issues such as how to evaluate the functions of state actions and how to describe the bias of the state in a capitalist society. When efforts have been made to analyze particular historical events, typically the focus has been on interpreting broad swathes of history such as the New

<sup>2</sup> Franz Neumann, "Approaches to the Study of Political Power," *The Democratic and the Authoritarian State* (New York: Free Press, 1957), p. 12.

Deal or the origins of the welfare state. As a result, there has been insufficient development and application of this perspective to specific policy battles of narrower scope.

With so many theoretical options for the study of power, researchers typically choose one camp over another. This study takes a different route. It presents a three-part framework for understanding power that combines elements from a number of different perspectives. It focuses on the dynamics of interest group activity in the context of the events and social structures that shape the ability of political actors to influence policy outcomes. In this way, it is possible to remain sensitive to three realms of explanation that most scholars usually hold apart: political behavior (interest group activity), social structure (state dependence on large corporations for economic activity), and historical change (variation in socioeconomic conditions within the broader dynamics of the political economy). Joining together these three elements of analysis facilitates unraveling “the factors behind the facts.”<sup>3</sup> Otherwise, analyses of politics remain either on the level of observable behavior, without attention to the contexts and structures that, in turn, shape the very activities being studied, or they present functional analyses that ignore all contingent factors. The importance of adding a structural component to the study of power needs to be emphasized because it stands in contrast to the standard approach in political science, which reduces the study of politics to “behavior” studied apart from the social structural forces that enable human action to occur and through which human actions take their particular shape.

To elaborate this framework, it is useful to review the long-standing debate over the study of power. The purpose of this discussion is not to present a comprehensive analysis of all the issues that have been debated on power, a task well beyond the scope of one chapter of a book, or to offer a wholly new framework for the study of power, but rather to explain the theoretical perspective that guides this study and to show its intellectual roots.

### **Behavior**

Studying observable behavior remains the dominant concern among political scientists. Most work in the discipline is preoccupied with the study of those topics that lend themselves to statistical manipulation, for example, voting results, campaign contributions, public opinion polling, and the behavioral patterns within government institutions. At the same time, most political scientists subscribe to the pluralist account of power, which stresses that there is no inherent structure or matrix of power within American society. Nelson

<sup>3</sup> Herbert Marcuse, *One-Dimensional Man* (Boston: Beacon Press, 1964), p. 100, cited in Sidney Plotkin, *Keep Out: The Struggle for Land Use Control* (Berkeley: University of California Press, 1987), p. 7.

Polsby, an unreconstructed pluralist long involved in these debates, uttered the classic pluralist dictum, contending, "Nothing categorical can be said about power. . . . If anything, there seems to be an unspoken notion among pluralist researchers that at bottom *nobody* dominates. . . ." <sup>4</sup> Instead, pluralists have emphasized that there are multiple "power resources" and that none of these uniquely or unfairly empower their holders. These resources include money and credit, control over jobs, control of information, social status, expertise, charisma, ethnic solidarity, time, and energy. <sup>5</sup> Power may be tied to issues, but issue networks do not overlap. Hence, power is broadly distributed, not concentrated in the hands of a few.

While pluralist scholars claimed that they assumed nothing about power and were open to accepting proof of elite dominance, empirical studies repeatedly came to the same conclusion: power was in flux, open-ended, and widely dispersed. Yet the pluralist tradition was by no means monolithic when it came to evaluating the centrality of interest groups. <sup>6</sup> One camp, led by Arthur Bentley and David Truman, stressed that group pressures were the central ingredient in understanding power. <sup>7</sup> Government was largely neutral, simply reflecting the physics of group forces. This, however, did not imply that all groups had an equal potential for influence. Truman acknowledged from the beginning that business was in a "favored position," with "superior status" to other groups, but he emphasized several factors that reduced the political effectiveness of business: problems with internal group cohesion, overlapping membership that diluted loyalty, and the time-bound nature of coalitions. <sup>8</sup>

Other pluralist writers, most notably the early Robert Dahl, as well as Bauer, Pool, and Dexter, emphasized that studying group pressure was not enough. One must also attend to the role of political leadership and political parties in shaping and mediating group conflicts, thereby widening the pluralist model of the dynamics of policy making. <sup>9</sup> Yet, pluralists were still confronted by the obvious fact that there was a range of inequalities among political actors, such as inequalities of income, status, and access. In perhaps the most celebrated pluralist study, *Who Governs?*, Dahl directly confronted this problem by rejecting the view of "cumulative inequalities," which characterized a variety of elite theories. Instead, Dahl argued, there was a dispersal of resources or

<sup>4</sup> Nelson Polsby, *Community Power and Political Theory*, 2nd enlarged ed. (New Haven: Yale University Press, 1980), p. 113 (emphasis in the original).

<sup>5</sup> Robert Dahl, *Who Governs?* (New Haven: Yale University Press, 1961), p. 226.

<sup>6</sup> For a review of the debates within pluralism, see G. David Garson, *Group Theories of Politics* (Beverly Hills: Sage Publishers, 1978).

<sup>7</sup> Arthur Bentley, *The Process of Government* (Chicago: University of Chicago Press, 1908); David Truman, *The Governmental Process* (New York: Alfred A. Knopf, 1951).

<sup>8</sup> Truman, pp. 248–61.

<sup>9</sup> See, for example, Robert Dahl; Raymond Bauer, Ithiel De Sola Pool, and Anthony Dexter, *American Business and Public Policy* (Cambridge: MIT Press, 1963).

“inequalities” that enabled different groups to dominate different issues.<sup>10</sup> For Dahl, the dispersal of resources meant that no *one* group dominated, a claim that became the sine qua non of the entire pluralist camp. While some groups clearly had greater financial resources to use in influencing political decisions, other groups had resources such as “people power” at their disposal. In this way, Dahl was able to downplay the political advantages of those with concentrated economic resources and argue that power in American society was not stratified or concentrated in the hands of an elite. Pluralists who specifically studied the power of business came to the same reassuring conclusion on the grounds that business did not possess a “monopoly over political access or influence.”<sup>11</sup>

These conclusions were made, in part, in response to earlier community power studies done by sociologists that emphasized a stratified or elite view of social power. Beginning with Robert Lynd and Helen Lynd’s 1929 study *Middletown*, a host of scholars mapped local power structures and found that economic elites, who had the power to shape the course of their community’s economic life, dominated political decision making as well. Because these same individuals also directed local cultural life, a true elite existed. Taking the analysis of elitism to the national level in the 1950s, C. Wright Mills argued that power in American society was being concentrated in increasingly fewer and fewer hands. Gone were the days when fate or blind drift seemed to alter the course of society. Now, Mills argued, history was made by the decisions of those key individuals who, through their institutional positions, commanded the resources of society. For Mills, the higher circles of power could be found in the bureaucratic hierarchies of three key institutions: the military, the large corporation, and the executive branch of the federal government. Sitting atop these command posts of power were a few thousand individuals who were able to shape the direction of change in our society.<sup>12</sup>

Power elite theory made several notable contributions, among them attention to the array of institutions through which power in American society is exercised. However, it did not analyze why public pressures were sometimes successful in shaping political outcomes, nor did it scrutinize the dynamics of the policy process. For Mills, this followed the logic of his outline of power: the higher levels of power were in the hands of an elite who made society’s key decisions. Congress, part of the middle level of power and the arena of public attention, was subordinate. Another shortcoming of power elite theory that radical critics pointed out was its failure to sufficiently analyze the connection between capitalist social structure and the institutions that were identified as

<sup>10</sup> Dahl, p. 228.

<sup>11</sup> Edward Epstein, *The Corporation in American Politics* (Englewood Cliffs: Prentice-Hall, 1969), p. 304.

<sup>12</sup> C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956).



exercising power.<sup>13</sup> More recent versions of elite theory have been developed that focus on public policy and root their analysis of institutions in their structural context. G. William Domhoff, for example, emphasizes the role of class segments and protest to explain policy changes.<sup>14</sup> Nevertheless, the tendency of many elite theorists has been to map power structures by demonstrating the overlapping networks among elites, thereby downplaying how these elites use their positions of power.

The long-standing gap between the conclusions of elite theories and pluralists was based, in part, on a pivotal difference in how each defined the subject to be examined. Sociological studies focused on a range of key institutions to document the existence of an elite shaping community life. Pluralist writers, regardless of the importance they placed on interest groups, narrowed the focus of the study of community power to an examination of government decisions. While this approach had obvious advantages – it limited the field of study to more easily managed dimensions, and the decisions studied were readily accessible to researchers – it assumed that studying government decisions was sufficient for evaluating community power. As a result of this methodological narrowing, pluralists ignored a wide range of decisions and relations outside of government. And by definitional fiat, the broader concerns of power elite theorists were ruled irrelevant. This constricted conception of power was illustrated by Polsby, who argued that only when a banker explicitly attempts to influence government decisions does he become worthy of attention. When a banker performs his normal activities, he does not affect the community and therefore does not exercise power.<sup>15</sup> Obviously, this contention ignores the tremendous power that banks wield through their loan decisions to shape economic development, and thus indirectly the political agenda, as well as their structural power to redistribute income to the holders of capital. Yet for pluralism, all of this was irrelevant because it did not directly and observably involve government decisions.

As pluralism came to dominate political science, volumes were written challenging its assumptions, methods, and conclusions. Some critics stressed that all too often pluralists were willing to embrace the concept of “dispersed inequalities” without realizing that what appeared from the top as multiple group conflicts appeared from the bottom as the narrow divisions among a few select elites.<sup>16</sup> Pluralist scholars were also vulnerable to the charge that they

<sup>13</sup> Robert Lynd, “Power in the United States,” in G. William Domhoff and Hoyt Ballard, eds., *C. Wright Mills and the Power Elite* (Boston: Beacon Press, 1968), pp. 103–15.

<sup>14</sup> See, for example, G. William Domhoff, *The Power Elite and the State* (New York: Aldine de Gruyter, 1990).

<sup>15</sup> Polsby, p. 117.

<sup>16</sup> John Gaventa, *Power and Powerlessness* (Urbana: University of Illinois Press, 1980).

ignored so-called nondecisions.<sup>17</sup> Critics pointed out that power could be manifested in the ability to prevent challenges from emerging, whether through control over the rules or through ideological dominance.<sup>18</sup> At the same time, power may be evident when dominant groups are not challenged due to fear of the consequences.<sup>19</sup> Accordingly, E.E. Schattschneider pointed out that group theory failed to understand the bias of the system of the whole, and in particular how the rules of the game shape the terrain on which political battles are fought to the advantage of some over others.<sup>20</sup>

But perhaps the most frustrating shortfall of pluralism, aside from its narrowed definition of politics, was the repeated divorce of political influence from its economic roots. This weakness continues to appear in pluralist accounts of power, such as David Vogel's *Fluctuating Fortunes*, where he attempts to explain changes in business influence over public policy from the 1960s through the 1980s.<sup>21</sup> Vogel at first appears to go beyond an exclusive emphasis on observable political behavior, but like his pluralist colleagues, he ultimately relies on this level of analysis to explain policy change. For example, to explain the resurgence of corporate political influence in the context of the 1970s recessions, Vogel argues that "the 'new class' of college educated professionals, now worried about their own economic prospects, became more sympathetic to the demands of business to reduce taxes, to slow down the growth of government spending and regulation, and to weaken the power of unions."<sup>22</sup> In this formulation, changing economic conditions are no more than a backdrop shaping elite opinion and the preferences of the "new class" of educated middle-class voters who are offered as the true source of policy change. Indeed, Domhoff notes, for Vogel, "changes in the public's 'perceptions' of the long-term health of the economy explain the 'fluctuating fortunes' of business."<sup>23</sup> No attempt is made by Vogel to analyze the unique form of political influence that large corporations have because of the dependence of government on the performance of the business community for a healthy economy. At the same time, he downplays the impact of protest and social turmoil in realigning the political agenda.<sup>24</sup>

<sup>17</sup> Peter Bachrach and Morton Baratz, *Power and Poverty* (New York: Oxford University Press, 1970).

<sup>18</sup> Steven Lukes, *Power* (London: Macmillan Publishing Co., 1974).

<sup>19</sup> See, for example, Matthew Crenson, *The Un-Politics of Air Pollution* (Baltimore: Johns Hopkins University Press, 1971).

<sup>20</sup> E. E. Schattschneider, *The Semi-Sovereign People* (New York: Holt, Rinehart and Winston, 1960).

<sup>21</sup> David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989).

<sup>22</sup> Vogel, 1989, p. 9. <sup>23</sup> Domhoff, p. 259.

<sup>24</sup> Domhoff, p. 262.

Another shortcoming of pluralism has been to overlook the interplay between economic conditions and interest group influence. David Vogel's work, once again, illustrates this problem. In examining the politics of clean air legislation in the 1970s, he argues that the auto industry's political victories in weakening emissions standards were due to its alliance with the auto worker's union.<sup>25</sup> This explanation, focused on the level of interest group alliances, leaves a number of issues unexplored, such as how faltering economic conditions restructured the options seen as available to policy makers, and how these conditions shaped the strategies and alliances among contending groups and were often invoked for political advantage. (These issues are examined in Chapter 4.)

To analyze these issues, it is essential to add a structural concern to the study of power. For the purposes of this study, the key structure that will be analyzed is capitalist economic relations, and in particular the state dependence on large corporations for tax revenue and economic vitality. This element is chosen because of the primary role economic relations play in the reproduction of society. Also, the importance of linking this element to studies of public policy was articulated by Robert Lynd when he wrote that "Capitalism means and has always meant that the whole institutional system has become weighted so that, like loaded dice, events tend to roll with a bias that favors property."<sup>26</sup>

### Structure

The notion of state dependence, or the so-called privileged position of business, is typically associated with the development of neomarxist theories of the state in the 1970s because it was the subject of extensive internecine debate. However, this concept has a much longer and varied history, as evidenced by its appearance in works across political perspectives. Frances Fox Piven and Richard Cloward have pointed out that the conservative economist Joseph Schumpeter discussed state dependence on large corporations for tax revenues as a constraint on policy makers early in the twentieth century.<sup>27</sup> Even David Truman, one of the most widely read pluralists of the 1950s, made this point when he wrote that "the favored position of 'business' is furthered by the existence of an economic system under which businessmen's confidence and expectations of profit are of crucial importance to the health of the econ-

<sup>25</sup> David Vogel, "A Case Study of Clean Air Legislation 1967–1981," in Betty Bock et al., eds., *The Impact of the Modern Corporation* (New York: Columbia University Press, 1984), p. 344.

<sup>26</sup> Lynd, p. 111.

<sup>27</sup> See Frances Fox Piven and Richard Cloward, *The New Class War*, revised, expanded ed. (New York: Pantheon Books, 1985), pp. 88–9; Joseph Schumpeter, "The Crisis of the Tax State," *International Economic Papers* (New York: Macmillan Publishing Co., 1954, [1918]), no. 4, p. 20.

omy.”<sup>28</sup> In fact, G. William Domhoff, who remembers first encountering this idea in Michael Reagan’s 1963 work *The Managed Economy*, goes so far as to argue that in the 1960s this view was obvious and “taken for granted.”<sup>29</sup>

True or not, Charles Lindblom, one of the deans of postwar pluralism, created a tremendous stir in the mid-1970s when he, along with Robert Dahl, reconsidered their original conclusions concerning power and the role of business by embracing the notion of state dependence. Today, both acknowledge business to be more than just one of many interests, having a more powerful influence than the designation “interest group” would imply.<sup>30</sup> Central to Lindblom’s new understanding of power is the privileged position of business within market societies. Because “jobs, prices, production, growth, the standard of living, and the economic security of everyone” rests in the hands of business, he wrote, “government officials cannot be indifferent to how well business performs its functions. Depressions, inflation, or other economic distress can bring down a government.”<sup>31</sup> As a result, businessmen are not mere representatives of special interests. “They appear as functionaries performing functions that government officials regard as indispensable.”<sup>32</sup> Thus, Lindblom notes that government officials do not have to be “bribed, duped, or pressured” to grant businessmen their privileged position, nor do they have to be “uncritical admirer[s] of business.” It becomes plain to see “that public affairs in market-oriented systems are in the hands of two groups of leaders, government and business, who must collaborate and that to make the system work government leadership must often defer to business leadership. . . . Businessmen cannot be left knocking at the doors of the political systems, they must be invited in.”<sup>33</sup>

From this new structural position, Lindblom needed to explain those obvious instances when business lost its political battles or, in other words, when its privileged position was insufficient to triumph over other interests. To do so, he divided policy issues into two categories: primary issues, those business cannot afford to lose and are typically not contested – basically private ownership – and secondary issues, those that business can afford to lose and are debated – such as tax reform and environmental regulation. This typology, however, does not allow for evaluations of modifications of business power that stem from the welfare state or from legislation strengthening the rights of workers and unions, for example, because all losses except the socialization of ownership

<sup>28</sup> Truman, p. 255.

<sup>29</sup> William Domhoff, p. 189; Michael Reagan, *The Managed Economy* (New York: Oxford University Press, 1963), pp. 86–7.

<sup>30</sup> For an analysis of this transformation and its shortcomings, see John Manley, “Neo-Pluralism: A Class Analysis of Pluralism I and Pluralism II,” *American Political Science Review* vol. 77, no. 2 (June 1983), pp. 368–82.

<sup>31</sup> Charles Lindblom, *Politics and Markets* (New York: Basic Books, 1977), pp. 172–3.

<sup>32</sup> Lindblom, p. 175. <sup>33</sup> Lindblom, p. 175.

are labeled as secondary. In this way, Lindblom's understanding of the privileged position of business does not allow for an analysis of the consequences of what Andre Gorz describes as "reformist reforms" and "nonreformist reforms." For Gorz, the difference between the two hinges on whether or not the reform conforms to or changes the structural relations of power<sup>34</sup> — in other words, whether reforms leave untouched the overall relations of power or transform them into something fundamentally different.

A better handling of the privileged position concept can be found within the neomarxist tradition. Scholars working within this tradition emphasize that since government, for the most part, does not directly engage in economic activity (particularly in the United States), it can only attempt to stimulate economic growth. Corporations must be induced to invest. As a result, the control over capital provides corporations with an unparalleled form of leverage over policymakers: the withholding of investment and withdrawal of economic activity.<sup>35</sup> In simple terms, corporate officials can choose not to use their capital, or to relocate it, or they can simply threaten to do these things. Thus, the neomarxist scholar Claus Offe concludes, "The entire relationship between capital and the state is built not upon what capital can do *politically* via its association, as the critical theory of elitism maintains, but upon what capital can *refuse* to do in terms of investments. . . ."<sup>36</sup> However, Offe adds that the dependence of the state is "fine tuned" by business lobbying. Jeffrey Isaac summarizes what the privileged position of business means for the neomarxist tradition in terms of the options considered by policymakers:

[I]t does not mean that the state is incapable of acting against the politically expressed preferences of capital. Nor does it mean that every policy pursued by the state is undertaken with an eye toward short-term economic prosperity. It simply, but crucially, means that successful capital accumulation is an essential policy consideration due to the state's dependence on economic prosperity for revenues and stability.<sup>37</sup>

The consequence of state dependence is not, however, a uniform resource over time. In general, this kind of leverage will be enhanced during periods of economic contraction as concerns over the economy accelerate. It is also likely to increase in an era when capital has become increasingly mobile because the prospect of investment flight places government officials under constant pressure to maintain a positive business climate.

This structural limitation became central to the neomarxist claim that the state in capitalist society is, inevitably, a capitalist state. Public policy cannot

<sup>34</sup> Andre Gorz, *A Strategy for Labor: A Radical Proposal* (Boston: Beacon Press, 1974), pp. 7–12.

<sup>35</sup> Claus Offe, *Disorganized Capitalism* (Cambridge: MIT Press, 1984), p. 166.

<sup>36</sup> Offe, p. 192 (emphasis in the original).

<sup>37</sup> Jeffrey Isaac, *Power and Marxist Theory* (Ithaca: Cornell University Press, 1987), p. 180.

be understood simply as the result of open-ended interest group conflict and electoral politics. Class inequality reproduces itself throughout society, including the political system. And in this class society, the business class is privileged. Yet, within neomarxism the idea of structural dependency spurred a continuing debate.<sup>38</sup> Did it mean that regardless of who served in government, the results of public policy would always favor business? Or did it mean that state dependence was just one of many advantages that propertied interests wielded over nonpropertied interests? Answering these questions became further complicated because these issues were caught up in the larger theoretical discussion of the relationship between structure and agency. At one extreme, theories that emphasize structure view human action as determined by the settings and institutions of social life. Individual behavior, according to this view, is merely the result of external circumstances. At the other extreme, theories of agency view individual action in terms of unconstrained choice. Individuals have the ability to act, or not act, as they wish, dependent largely on their own volition.<sup>39</sup>

Emblematic of this dichotomy was a much-publicized debate in the late 1960s and early 1970s between the British scholar Ralph Miliband and the French theorist Nicos Poulantzas.<sup>40</sup> Without rehashing its details, the debate indicates in retrospect the balancing act that is required to avoid the pitfalls of either divorcing behavior from its social context or ruling out the ability of human actors to make social change. At the time, Miliband's position was identified as merely "instrumentalist," and he was unfairly criticized for presenting nothing more than a reworked power-elite theory that ignored any force impinging on the state beyond the direct actions of the capitalist class. Poulantzas, on the other hand, was seen as clinging to a relentlessly structural argument. In his early work, for example, he argued that the capitalist state was forced to undertake policies conducive to the reproduction of capital, regardless of its personnel or existing political coalitions.<sup>41</sup> Although the debate was often described as a battle between instrumentalism and structuralism, this caricature shortchanged Miliband's position from the start and never captured the evolving complexity of Poulantzas's work. Indeed, from the beginning, Miliband noted the structural forces of state dependence and the "pressure" on

<sup>38</sup> For surveys of these debates, see Bob Jessop, *The Capitalist State* (New York: New York University Press, 1982); Martin Carnoy, *The State and Political Theory* (Princeton: Princeton University Press, 1984); Clyde Barrow, *Critical Theories of the State* (Madison: University of Wisconsin Press, 1993).

<sup>39</sup> Steven Lukes, "Power and Structure," in *Essays in Social Theory*, (London: Macmillan Publishing Co., 1977).

<sup>40</sup> For a review of this debate see Carnoy, pp. 104–7.

<sup>41</sup> Nicos Poulantzas, *Political Power and Social Classes* (London: New Left Books, 1974).

governments to maintain business confidence, and Poulantzas came to see the state as a site of class struggle.<sup>42</sup>

By the mid-1970s, many scholars trying to develop critical theories of the state embraced various versions of structuralism because it was perceived as presenting a new form of critique, one that offered a more sophisticated view of the political dynamics of advanced capitalism. As its practitioners claimed to have reached a higher theoretical plane, they dismissed as mundane the research of those who studied the details of business participation in the state because all such studies could offer was evidence to debunk pluralist claims of power being open-ended and in flux; they could not develop a more theoretically grounded critique of advanced capitalism. In recently reviewing this debate, Frances Fox Piven argues that those on the structural side of the debate appeared to have prevailed simply because their work was perceived as new in the “intellectual fashion contest.” “Structuralism,” she observed, “also lent itself to wondrous excesses of theoretical elaboration, which could entirely avoid the actual empirical muddiness of class politics in postwar capitalist societies, where real-world capitalists were fragmented and fractious, and real-world workers were often on the wrong side of the class conflict.”<sup>43</sup>

In the two decades since this debate, Piven points out, the so-called instrumentalist side of the debate has, in fact, held up quite well. An extraordinary political mobilization of the business community has obtained new accommodations from the state by dismantling welfare-state protections and by weakening unions, if not destroying them outright. Put another way, if the capitalist mode of production automatically produced state structures oriented toward furthering capital accumulation, this tremendous increase in corporate political activity would have been unnecessary. Yet, by the late 1970s, for example, total corporate spending on advocacy advertising and grass-roots lobbying reached, according to Ferguson and Rogers, \$1 billion annually.<sup>44</sup> And since that time, corporate political spending has increased. Clearly, business officials have considered this money well spent, and much evidence vindicates their belief. But, Piven adds, the structural dependence of the capitalist state made this all the more possible. There was widespread awareness among political elites that the American corporate community had been toppled from world dominance, profits were suffering, and political solutions were needed.

<sup>42</sup> Ralph Miliband, *The State in Capitalist Society* (New York: Basic Books, 1969), pp. 146–52; Nicos Poulantzas, *State, Power and Socialism* (London: New Left Books, 1978).

<sup>43</sup> Frances Fox Piven, “Reflections on Ralph Miliband,” *New Left Review*, no. 206, (July–August 1994), p. 24.

<sup>44</sup> Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986), p. 88.

A closer examination of Miliband's understanding of state dependence offers a perspective that balances a focus on interest group activity with that of the privileged position of business. Miliband observed that governments using their vast powers against business soon confront "perils" that are "best epitomized in the dreaded phrase 'loss of confidence.'"<sup>45</sup> He saw this form of pressure as "more important and effective" than any other and one that exerted a "permanent pressure" on government. "The existence of this major area of independent economic power is a fact which no government, whatever its inclinations, can ignore in the determination of its policies. . . ."<sup>46</sup> State dependence on business, while an important pressure, does not automatically mean that government officials know how to respond to each particular policy battle. Indeed, Miliband insisted, the active goodwill and support inside the state system "does not remove the need for [businesses] to exert their own pressure for the achievement of their immediate and specific goals."<sup>47</sup> Since achieving specific political goals requires active pressure on state officials, Miliband saw it necessary to focus, as Piven notes, on the "capitalist class as a power elite."<sup>48</sup> As a result, he felt compelled to examine the composition of the state elite and their ideological inclination to support business to describe the advantages capitalists had within the state.

From this perspective, state dependence is an essential policy consideration, not a force that automatically shapes specific state actions to the benefit of business. Domhoff, writing from the perspective of someone who has long examined the empirical muddiness of class politics, stresses that business officials have never been so confident of their structural position as to feel that they do not need to dominate the state, given the potential for other interests to use government policy.<sup>49</sup> In light of this understanding of structural advantage, it is important to analyze precisely how business takes advantage of its privileged position, and how the combination of the political behavior of business and its structural position shape public policy.

This approach is also necessary because government officials cannot simply ignore citizens' demands if they wish to maintain legitimacy in the eyes of the electorate. Winning elections requires citizen support. Moreover, evolving social norms, such as environmentalism, further constrain the attentiveness of state officials to corporate interests. Thus, Offe argues that the relative weight of these different pressures depends on "cyclical and conjunctural variations which may allow a group to exploit its specific social power to a larger or smaller extent at different points in time."<sup>50</sup> In other words, particular policy outcomes are shaped by the larger structures of power, as well as by how

<sup>45</sup> Miliband, p. 150.    <sup>46</sup> Miliband, p. 147.

<sup>47</sup> Miliband, p. 145.    <sup>48</sup> Piven, p. 25.

<sup>49</sup> Domhoff, p. 194.

<sup>50</sup> Claus Offe, *Contradictions of the Welfare State* (Cambridge: MIT Press, 1984), p. 160.



groups mobilize their resources in the context of the ever-shifting vulnerability of policy makers to these pressures.

### History

While focusing on the interrelationship between political behavior and structural advantage provides two key elements to the study of power, these two broad considerations, individually or together, still offer an overly abstract description of political change. To explain policy change more fully, it is essential to add a third element: sensitivity to how historical variations in socioeconomic contextual conditions shape the power of political actors. For example, cyclical variation in the economy or periods of social turmoil will each affect the dynamics of policy making. In addition, the impact of these variations is affected by the broader historical dynamics of the time in which they occur. Because discussions of the importance of studying history have been framed lately by state-centered theory, it is important to turn to this perspective. Although state-centered theory appears to represent an advance by emphasizing historical analysis, the selective focus on only certain elements of history undercuts its value.

A number of political scientists have been involved in the “turn to history” as part of an effort to reconceptualize the issues involved in studying the origins and evolution of political institutions, often described as “state building.” State-centered theories of social change reject the “society-centered” views of both pluralism and neomarxism, and in their own way add a structural dimension to the analysis of political change. By “structure,” however, state-centered theory focuses almost exclusively on political structures. Statists contend that despite the differences between pluralism and neomarxism, each of these perspectives characterizes government decisions as a reflection of societal power relations, whether they are understood as group pressures or framed by the language of class conflict. Statist approaches, on the other hand, do not believe that state actions are reducible to or determined by social forces. Instead, they result from the autonomous actions of state officials who, in attempting to resolve conflict, make society-shaping decisions. Indeed, for Stephen Skowronek, one of the leading statist practitioners, creating new political institutions is a uniquely political process that follows a logic of state actors, institutional resources, and policy legacies.<sup>51</sup> To test their theories and to rescue the interpretation of past events from society-centered perspectives, state-centered theorists have been at the heart of the movement to “return to history.” But by “history,” statist offer a reading of the past that does not consider the interaction between economic factors and political activity. Instead, by history they simply mean the history of policy legacies and political

<sup>51</sup> Stephen Skowronek, *Building the New American State: The Expansion of Administrative Capacities* (New York: Cambridge University Press, 1982).

institutions, which is why this turn to history is sometimes referred to as the “new institutionalism.”<sup>52</sup>

This orientation can be found in the opening editorial statement of *Studies in American Political Development*, one of the flagship forums for statist work. In 1986, Karen Orren and Steven Skowronek wrote, in what surely was not an oversight, that “*Studies*’ institutional perspective is defined broadly to encompass the social and cultural institutions that impinge on government as well as government institutions themselves.”<sup>53</sup> Glaringly absent from this formulation was a concern for economic relations of any sort. This criticism is not a quibble over terminology. Orren and Skowronek contend that the study of history is “the natural proving ground for the claim that institutions have an independent and formative influence on politics.”<sup>54</sup> By this they mean that institutions are independent of societal pressures. They see their focus as an antidote to “a long season in which social forces and processes were the predominant topics of study.”<sup>55</sup> The narrowness of this “political” orientation is one of the many criticisms lodged against state-centered theory.<sup>56</sup> Although few disagree with the statist claim that public policies shape social action, or with the point that political structures imprint on current debates legacies from the past, the contention that state actors resolve conflict through autonomous actions suggests that the state and society are separate from and independent of each other. Bob Jessop criticizes this view, in part, because it “implies that both [state and society] exist as independent entities which are fully constituted, internally coherent and mutually exclusive and that one always unilaterally determines the other. This would reify and absolutize what is really an emergent, partial, unstable, and variable social distinction. . . .”<sup>57</sup> Another shortcoming of state-centered research has been a proclivity to study past political patterns in order to discern whether or not there are parallels between past practice and current trends. Although this effort can uncover some interesting commonalities, this tendency, as Thomas Ferguson emphasizes, “also abstract[s] seriously from

<sup>52</sup> For an analysis of this relationship, see David Brian Robertson, “The Return to History and the New Institutionalism in American Political Science,” *Social Science History* vol. 17, no. 1 (Spring 1993), pp. 1–36.

<sup>53</sup> Karen Orren and Steven Skowronek, Editors’ Preface, *Studies in American Political Development* vol. 1 (1986), p. vii.

<sup>54</sup> Orren and Skowronek, p. vii.

<sup>55</sup> Orren and Skowronek, p. vii.

<sup>56</sup> For a summary of the major criticisms, see Bob Jessop, *State Theory* (University Park: Pennsylvania University Press, 1990), pp. 278–88.

<sup>57</sup> Jessop, p. 287. For an empirical critique of the state-centered approach, see, for example, Brian Waddell, “The Dimensions of the Military Ascendancy During U.S. Industrial Mobilization for World War II,” *Journal of Political and Military Sociology* vol. 23 (Summer 1995), pp. 81–98.

the historically specific concatenation of events and forces” that shape current politics.<sup>58</sup>

While state-centered theory was developed to go beyond society-centered perspectives, a strong commonality remains between state-centered theory and pluralism: each downplays the political influence of the large corporation and those with significant financial resources. State-centered theory and pluralism also share a set of assumptions on the relationship between society, economy, and the state.<sup>59</sup> Statists and pluralists assume the separation of society, economy, and the state. For marxism, on the other hand, capitalist society is understood as a totality – albeit a contradictory one – whereby the state is located within the basic economic contradictions and conflicts of capitalism. The task of research is to study the political and socioeconomic forces shaping state actions. This theoretical difference may help explain why there are unending disagreements between these two basic approaches to power.

A more complex understanding of history than the one offered by state-centered theory requires attention to how specific socioeconomic conditions shape the dynamics of policy making. For example, the auto industry’s economic losses have enhanced its lobbying clout. In other words, there are political advantages to economic downturns. Jim Johnston, GM’s vice president of industry–government relations, noted this situation in 1994 on retiring after thirty years as one of the industry’s main political liaisons: “When there is a recession, people listen more closely to what we’re saying because they are wary about doing things that might keep the recession going. So they listen better in times of trouble.”<sup>60</sup> From a very different perspective, Ralph Nader criticized this same fact. When the economic condition of the nation deteriorates, the guiding philosophy of our political institutions, he wrote, is that “we should leave the wealthy and powerful alone, or succor them with the fruits of the public treasury.”<sup>61</sup> While economic downturns generally amplify the state’s dependence on capital as the policy makers increasingly worry about economic stability, an economic collapse like the Great Depression can weaken the power of business as these same officials attempt to meet the crisis.<sup>62</sup>

<sup>58</sup> Thomas Ferguson, *Golden Rule* (Chicago: University of Chicago Press, 1995), p. 283.

<sup>59</sup> Rhonda Levine, “Bringing Classes Back In: State Theory and Theories of the State,” in Rhonda Levine and Jerry Lembcke, eds., *Recapturing Marxism* (New York: Praeger Publishers, 1987), p. 99.

<sup>60</sup> Cited in Max Gates, “GM’s Johnston Knows Washington Ins and Outs,” *Automotive News* (July 18, 1994), p. 10.

<sup>61</sup> Ralph Nader and William Taylor, *The Big Boys: Power and Position in American Business* (New York: Pantheon Press, 1986), p. 506.

<sup>62</sup> Fred Block, “The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State,” *Socialist Revolution* vol. 7, no. 3 (1977), p. 24.

For the purposes of this study, the socioeconomic conditions that will be focused on include general economic conditions, such as prosperity or recession; the industry's economic situation (profits or losses); and whether social movements are mobilizing, protesting, or on the wane. To analyze the impact of socioeconomic conditions properly, one must locate these specific conditions within the broader and longer-term dynamics of the political economy so that researchers remain sensitive to how these specific conditions were experienced at the time they occurred. Major losses by a large corporation, for example, can have a different impact if these losses are an isolated event, part of a pattern, or part of a societywide downturn. The same holds true for the impact of a particular protest or riot.

A brief example will illustrate the different impact that the industry's downturns have had on its political fortunes. During the early 1980s, when the auto industry experienced its first major crisis in the post–World War II era – and record losses – a number of major policy changes were made to aid the industry. In the early 1990s, when the industry experienced another round of losses that dwarfed this earlier episode, industry officials mounted a more elaborate political campaign but achieved far more mixed results. Explaining the differences between these two sets of policy responses to industry losses requires attention to the broader historical context of the post–World War II political economy. The first round of losses was not only unprecedented for the industry but came at a time of nationwide restructuring as manufacturers responded to new global economic forces. With the end of the “American century,” the political compromises of the past were reopened in an attempt to restore economic growth. The industry's second crisis, by contrast, followed soon after a period of record profits in the middle to late 1980s. Many saw this later round of losses as either self-inflicted by the automakers themselves or simply as cyclical. Either way, they were less deserving of a major political response. (This issue is taken up in Chapter 8.)

It is important to emphasize that the elements of behavior, structure, and history are not independent of each other, with each having its own separate effect. While they can be separated for analytical simplicity, scholarship must try to capture the complex interaction among the three. Contingency and agency do not begin where structure ends. Nor does a historical conjunction of events determine the outcome of a particular political battle. The task for researchers is to explain how these factors interact and affect one another. While the power resources of interest groups are shaped by their economic position in society, changing macroeconomic conditions influence how lobbying efforts are strategically organized and their relative political impact.

A focus on behavior, structure, and contextual conditions facilitates analysis of variations in political influence over time. This is essential because, while *ceteris paribus* (all things being equal) is a necessary convention of analytical

argument, in simple terms the *ceteris* is virtually never *paribus*; in the real world, all other things are never really equal. Similar-seeming recessions or protests, for example, do not have the same impact at different points in time. To emphasize the indeterminacy of this relationship is not to suggest, however, that no regularities can be found in the exercise of power. The long-term inequality that characterizes American society indicates something quite to the contrary. Combining a sensitivity to the realms of behavior, structure, and history provides the opportunity to capture the complex interaction that shapes social change. It avoids the pitfalls of having to choose one level of social explanation over another, artificially abstracting the dynamics of political conflict. Most important, it allows an analysis to go beyond an exclusive focus on the contestants and their actions.